Submission to The Joint Committee on Enterprise, Trade and Employment from the Retirement Planning Council of Ireland - 4th April 2024

Introduction

The Retirement Planning Council of Ireland would like to thank the Joint Committee on Enterprise, Trade and Employment for its invitation to discuss Pre-Legislative Scrutiny of the General Scheme of the Employment (Restriction of Certain Mandatory Retirement Ages) Bill 2024.

By way of introduction, my name is Laura Farrell, CEO with the Retirement Planning Council since 2020.

I am joined by Declan Lawlor, a Programme Leader with the Retirement Planning Council since 2014.

The Retirement Planning Council of Ireland (RPC)

The Retirement Planning Council (RPC) was established in 1974. It is a Company Limited by Guarantee and is registered with the Charities Regulatory Authority. The Retirement Planning Council is a not-for-profit organisation, wholly independent of all financial institutions and managed by a voluntary Board of Directors. The company receives no Government support and relies entirely on the fees we charge employers for sending their employees on our pre-retirement courses.

We are the country's leading provider of support, information, and guidance to people on the glide path to retirement. Our main activity is the delivery of a two-day Pre-Retirement Course covering a range of financial and lifestyle issues as likely to impact retirees. These courses are delivered by industry experts, most of whom are retired from full-time work themselves.

The courses are run in Dublin and in various locations around the country. In 2023, the Retirement Planning Council delivered courses to over 3,000 attendees. As a not-for-profit organisation, we must have a full understanding of the needs, requirements, expectations, and concerns of our attendees. We carry out regular post-course surveys with attendees, which provide valuable insights and help inform us as an organisation. All course attendees are given access to our specialists for assistance with any retirement issues that may arise at any time in their future.

Retirement & State Benefits

Over the past two years or so, one of the issues that has come to the fore, has been the gap between the age at which most people retire – age 65 – and the age at which the State Pension becomes payable.

Currently, in the private sector, most employees who are members of an Occupational Pension Scheme, are required to retire on the Scheme's nominated Retirement Age (typically age 65). But for such A Class PRSI Contributors, they only become entitled to their State Pension at age 66 (and the Pensions Commission did recommend that the State Pension age should go to age 67 on a phased basis starting in 2028 – changes we believe have now been shelved).

Currently, employees can request an extension of their contract of employment, but effectively the Employer is not obliged to agree to such an extension. If forced to retire at say age 65, then the employee can apply for the Benefit Payment for 65-Year-Olds.

However, there are two issues with this benefit:

1. The amount of payment is equivalent to the Jobseekers Benefit, which is some €35 per week less than the State Pension. Private sector Pension Schemes do not typically offer so-called "Supplementary Pensions" (a common feature of Public Sector Pension Schemes). So, for lower-paid employees, the lower payment for 12 months can represent a significant financial challenge. For those employees who are not members of an Occupational Pension Scheme, the income shortfall for the 12 months can be even more challenging.
2. The qualification rules in relation to the PRSI contribution conditions are overly complicated (particularly for employees who retire prior to age 65). This is a source of confusion with many of the individuals who attend our Courses.

Proposed Change

The proposed change, whereby Employees will have the option to insist on remaining in employment until reaching the qualification age for the State Pension, will certainly be welcomed by many employees.

In our experience, we would expect that some employees will want to take advantage of such a change, but others will still opt to retire at their Scheme Retirement Age - even if it involves accepting a lower State payment for 12 months.

Longevity

One of the most significant changes for the current generation of retirees is the increase in life expectancy over recent decades.

The average life expectancy of males retiring at age 65 is now circa 20 years and for women, it is closer to 23 years. This represents a circa 60% increase over the last 50 years.

This, combined with improved health in retirement, means that most retirees have a more positive outlook as they face into their retirement years. However, being financially secure is a critical element of retirement planning. Therefore, clarity around the integration of employment regulations and Social Welfare benefits is essential.

In a recent survey conducted by the Retirement Planning Council, 68% of female respondents will be heavily reliant on the State Pension when they retire, as opposed to 32% of male respondents.

60% of female respondents would consider working past 65, compared to 40% of male respondents.

Retirement is a significant milestone in a person's working life, and findings from the survey demonstrate that there is a pension disparity between women and men at retirement.

The Retirement Planning Council therefore supports the proposed change and looks forward to future changes and social innovations that will help people remain healthy and productive over the course of longer lives.

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